

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 L-03 ISO-00 IO-14 AID-05 CIAE-00
COME-00 FRB-01 INR-10 NSAE-00 ICA-20 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-07 CEA-01 DOE-15 SOE-02 DOEE-00 AGR-05 /140 W
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P 191020Z JUN 78
FM AMEMBASSY ABIDJAN
TO DEPT OF TREASURY WASHDC PRIORITY
AMEMBASSY MOGADISCIO
INFO SECSTATE WASHDC PRIORITY 9241

UNCLAS SECTION 1 OF 2 ABIDJAN 5797

DEPT PASS NAC AGENCIES

E.O. 11652: N/A
TAGS: AFDF, EAID, EFIN
SUBJ: AFRICAN DEVELOPMENT FUND LOAN, SOMALIA MOGADISCIO
SEWERAGE AND STORM WATER DRAINAGE PROJECT

SUMMARY: AFRICAN DEVELOPMENT FUND MANAGEMENT
PROPOSED 5.55 MILLION FUND UNIT OF ACCOUNT (FUA
EQUAL TO US \$1.11) LOAN TO THE GOVERNMENT OF THE
SOMALI DEMOCRATIC REPUBLIC TO FINANCE A PORTION
OF EXECUTION OF THE FIRST PHASE OF MASTER PLAN
DEALING WITH SEWERAGE AND STORM WATER DRAINAGE
NEEDS OF MOGADISCIO. TOTAL COST OF PROJECT EQUAL
TO FUA 12.5 MILLION TO BE JOINTLY FINANCED WITH
ISLAMIC DEVELOPMENT BANK (IDB), OPEC SPECIAL FUND
AND GOS. PROJECT DEVELOPED IN CONSULTATION WITH
WORLD HEALTH ORGANIZATION. U.S. ALTERNATE
EXECUTIVE DIRECTOR QUESTIONS UNUSUALLY HIGH
PERCENTAGE OF PROJECT'S LOCAL COST (54 PERCENT
OR FUA 2.15 MILLION) TO BE FINANCED BY AFDF LOAN.
REQUEST EMBASSY VIEWS. END SUMMARY.
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1. AFDF DOCUMENT BD/78/51 AND ATTACHMENTS
DESCRIBING LOAN POUCHED TO NAC AGENCIES JUNE 12,
1978. REQUEST AMEMBASSY MOGADISCIO CABLE ANY
VIEWS ON PROJECT TO ASSIST NATIONAL ADVISORY
COUNCIL DELIBERATIONS ON U.S. BOARD POSITION.
BOARD CONSIDERATION SCHEDULED FOR JUNE 29, 1978.

2. AFDF MANAGEMENT PROPOSES FUA 5.55 MILLION LOAN TO GOS TO FINANCE FORTY-FOUR PERCENT OF COST OF FIRST PHASE OF MOGADISCIO SEWERAGE AND STORM WATER DRAINAGE PROJECT. PROJECT ENTAILS A) FOR WASTE WATER: INSTALLATION OF 9 KM OF SEWER MAINS, 67 KM LATERALS, PUMPING STATIONS, RISING MAINS, SEWERAGE TREATMENT PLANT AND A SEA OUTFALL: B) FOR STORM WATER DRAINAGE: MAIN AND SECONDARY COLLECTORS IN THE AREAS SUBJECT TO FOLDDING, A PUMPING STATION AND SEA OUTFALLS: C) ENGINEERING SERVICES FOR SUPERVISION OF CONSTRUCTION: D) MAINTENANCE EQUIPMENT AND E) TRAINING FOR KEY PERSONNEL. COST BREAKDOWN IS AS FOLLOWS: SEWERAGE SYSTEM, FUA 6.7 MILLION (FUA 2 MILLION LOCAL COST); STORM WATER DRAINAGE SYSTEM, FUA 400 THOUSAND (FUA 102 THOUSAND LOCAL COST); ENGINEERING SERVICES FOR CONSTRUCTION SUPERVISION, FUA 727 THOUSAND (FUA 72 THOUSAND LOCAL COST); MAINTENANCE EQUIPMENT FUA 91 THOUSAND (ALL FOREX); TRAINING, FUA 150 THOUSAND (ALL FOREX). IN ADDITION, ALLOWANCE FOR PHYSICAL CONTINGENCIES OF 15 PERCENT AND ALLOWANCE FOR PRICE ESCALATION OF APPROXIMATELY 18 PERCENT TOGETHER TOTAL FUA 4.2 MILLION. TOTAL COST OF PROJECT ESTIMATED TO EQUAL FUA 12.5 MILLION OF WHICH FUA 4.0 MILLION UNCLASSIFIED

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IS LOCAL COSTS. PROPOSED FINANCING ARRANGEMENTS AS FOLLOWS: AFDF, FUA 5.5 MILLION (FUA 2.15 LOCAL COSTS); IDB, FUA 2.7 MILLION (ALL FOREX); OPEC, FUA 2.4 MILLION (ALL FOREX); GOS, FUA 1.85 MILLION (LOCAL COST). GOS TO MEET ALL COST OVERRUNS. IDB AND OPEC HAVE AGREED THAT PROCUREMENT OF GOODS AND SERVICES SHALL BE IN ACCORDANCE WITH AFDF INTERNATIONAL BID PROCEDURES. PROPOSED TERMS OF AFDF LOAN: 50 YEARS AMORTIZATION INCLUDING TEN YEARS GRACE, 0.75 PERCENT SERVICE CHARGE. GOS TO BE BORROWER, MOGADISCIO WATER AGENCY TO BE EXECUTING AGENCY.

3. MOGADISCIO, THE CAPITAL OF SOMALIA, HAS GROWN DRAMATICALLY SINCE INDEPENDENCE IN 1960, TO ITS PRESENT SIZE OF ABOUT FOUR THOUSAND HECTARES. THE PRESENT POPULATION OF ONE HALF MILLION ACCOUNTS FOR ABOUT 15 PERCENT OF THE COUNTRY'S POPULATION. A LARGE NOMADIC POPULATION HAS SETTLED OVER LARGE PORTIONS OF THE CITY IN RECENT YEARS, MAINLY AS A RESULT OF THE RECENT DROUGHTS. THE ECONOMY OF THE CITY IS DEPENDENT

LARGELY ON THE NATIONAL GOVERNMENT WITH MOST OF THE FEW INDUSTRIES WHICH EXIST BEING ALLIED TO AGRICULTURE, ALTHOUGH NO AGRICULTURE IS EVIDENT NEAR THE CITY EXCEPT FOR THE GRAZING OF DOMESTIC ANIMALS. MOGADISCIO DEPENDS ON GROUND WATER RESOURCES FOR ITS WATER SUPPLY SYSTEM. NINETEEN DEEP WELLS WERE COMPLETED IN 1970, TWO OF WHICH SUBSEQUENTLY DRIED UP WITH THE REMAINING 17 NOW BEING USED TO FULL CAPACITY. IT IS ANTICIPATED

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P 191020Z JUN 78

FM AMEMBASSY ABIDJAN

TO DEPT OF TREASURY WASHDC PRIORITY

AMEMBASSY MOGADISCIO

INFO SECSTATE WASHDC PRIORITY 9242

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THAT THE SYSTEM CAN MEET DEMAND UP TO THE YEAR 1980. EXISTING STORM WATER DRAINAGE FACILITIES ARE LIMITED TO THE CITY CENTER AND ARE CONSIDERED

INADEQUATE. TWO AREAS OF THE CITY ALONG VIA ITALIA AND ADJACENT TO THE MAIN MARKET PLACE ARE SERVED BY INADEQUATE PUMPING STATIONS AND ARE THEREFORE SUBJECT TO FLOODING. SEWAGE DISPOSAL IN THE CITY IS INADEQUATE WITH SEVERAL DISPOSAL SYSTEMS CURRENTLY IN USE. SOME SEWAGE IS DISCHARGED INTO EXISTING SURFACE WATER DRAINAGE SYSTEMS WHICH FEED TO THE SHORE AND HARBOR, BUT SOME ALSO FINDS ITS WAY INTO AREAS WHERE THE PUBLIC BATHE. WHERE THERE ARE NO SURFACE WATER DRAINAGE SYSTEMS, SEWAGE IS DISCHARGED

EITHER INTO ABANDONED WELLS OR CESSPOOLS. DUE TO THE NATURE OF THE SOIL, THE WELLS AND CESSPOOLS BECOME EVENTUALLY CLOGGED AND SEWAGE FLOWS OVER GROUND SURFACE.

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4. IN MAY 1975, THE GOVERNMENT RETAINED A CONSULTING ENGINEER GROUP TO DEVELOPE A MASTER PLAN TO MEET THE NEEDS OF THE CITY THROUGH THE YEAR 2000. THE CONSULTANTS PRODUCED A REPORT IN 1976 WHICH ADDRESSED IN PART THE SEWERAGE AND DRAINAGE REQUIREMENTS OF THE CITY, BUT THE INITIAL REPORT WAS FOUND TO BE TOO EQUIPMENT INTENSIVE AND NEITHER TECHNICALLY NOR ECONOMICALLY VIABLE. THE GOVERNMENT AND WHO WORKED WITH THE CONSULTANTS AND IN 1977 PRODUCED A PLAN BASED ON SIMPLE LOW COST TECHNOLOGY SUITABLE FOR ECONOMIC CONDITIONS AND THE LEVEL OF TECHNICAL OPERATING EXPERTISE IN SOMALIA. THE PROPOSED AFDF PROJECT IS BASED UPON THE REVISED PLAN. ENVIRONMENTAL CONSIDERATIONS WERE TAKEN INTO ACCOUNT IN THE PLAN, AND IT HAS BEEN DETERMINED THAT THERE WILL BE NO ADVERSE EFFECT OF THE MARINE ENVIRONMENT DUE TO THE DISCHARGE OF TREATED WASTE WATERS INTO THE SEA.

5. AFDF LOAN TO BE ON-LENT TO THE EXECUTING AGENCY, MOGADISCIO WATER AGENCY ON SAME TERMS. THE EXECUTING AGENCY LACKS SOME NEEDED TECHNICAL EXPERTISE AND REQUIRES REORGANIZATION TO MEET ITS EXPANDING ROLE IN ADMINISTERING CITY'S WATER NEEDS. AFDF LOAN THEREFORE INCLUDES TRAINING COMPONENT. CONSULTING FIRM OF ALEXANDER GIBB HAS REVIEWED MWA ORGANIZATIONAL STRUCTURE AND SUBMITTED RECOMMENDATIONS FOR REORGANIZATION. PROPOSED WORLD BANK PROJECT DEALING WITH CITY'S WATER SUPPLY WILL ALSO ADDRESS TECHNICAL AND MANAGERIAL CAPABILITIES OF MWB. APPRAISAL REPORT INDICATED THAT MWA'S FINANCIAL CONDITION APPEARS

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TO BE SATISFACTORY. PRESENT TARIFFS GENERATE ADEQUATE FUNDS FOR PRESENT DEBT SERVICE, AND CURRENT OPERATING EXPENSES. WATER TARIFFS AND SEWERAGE CHARGES WILL BE ADJUSTED TO MAINTAIN FINANCIAL

VIABILITY. FUNDS FLOW STATEMENT INDICATES THAT MWA WOULD RUN NET DEFICIT FROM 1980 THROUGH 1983, BUT WOULD RECOVER THEREAFTER, GENERATING A RESERVE.

6. PROPOSED PROJECT IS CONSIDERED TECHNICALLY AND ECONOMICALLY VIABLE WITH DESIGN BASED ON SIMPLE LOW COST TECHNOLOGY. FEW AVAILABLE HEALTH STATISTICS FOR MOGADISCIO INDICATE HIGH DEGREE OF MORTALITY DUE TO WATER-BORNE AND SANITARY ASSOCIATED DISEASES. A RECENT STUDY HAS REVEALED THAT 40 PERCENT OF CHILDREN EXAMINED WERE SUFFERING FROM GASTROENTERITIS, AND 70 PERCENT WERE AFFLICTED WITH INTESTINAL PARASITES. PROPOSED PROJECT WILL RESULT IN ALLEVIATION OF SUCH CONDITIONS. CONSTRUCTION OF A STORM WATER DRAINAGE WILL REDUCE FLOODING IN PARTS OF THE CITY, REDUCING COST OF ROAD MAINTENANCE AND IMPROVING GENERAL SANITARY CONDITIONS OF CITY.

COMMENT: USAED SUPPORTS PROJECT AND RECOMMENDS AFFIRMATIVE NAC ACTION, HOWEVER, QUESTIONS INORDINATELY HIGH PERCENTAGE OF AFDF LOAN PROGRAMMED FOR FINANCING OF LOCAL COSTS. WHILE AFDF FINANCING OF LOCAL COSTS AMOUNTS TO ONLY 17 PERCENT OF OVERALL PROJECT COSTS, FACT REMAINS THAT 45 PERCENT OF AFDF LOAN OR FUA 2.15 MILLION WILL BE USED TO FINANCE SUCH COSTS. WHILE ECONOMIC CONDITIONS IN SOMALIA MAY NECESSITATE LOCAL COST FINANCING, AFDF APPRAISAL REPORT DOES NOT JUSTIFY NOR UNCLASSIFIED

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DESCRIBE TYPE OF GOS BUDGETARY SUPPORT BEING PROVIDED BY AFDF. USAED PROPOSES TO SEEK CLARIFICATION ON THESE POINTS AND PLANS TO USE THIS LOCAN TO PRECIPITATE REVIEW OF AFDF LOCAL COST FINANCING POLICIES. WOULD APPRECIATE ANY GUIDANCE NAC MAY OFFER. WOULD ALSO APPRECIATE EMBASSY PROVIDING NAC WITH ITS VIEWS ON PROPOSED FINANCING ARRANGEMENT. STEARNS

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